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# Weekly Review

Week ending 20<sup>th</sup> April 2012

Global equities added 1.1% last week in US dollar terms, after rallying by 1.6% on Tuesday. Markets remain highly sensitive to the outlook for global growth, with recent data disappointments fuelling fears that the rebound in activity around the New Year may prove to be short lived. The IMF upgraded its forecast for 2012 global growth by 0.2% to 3.5%, in its latest World Economic Outlook report. Last week's US data remained evenly balanced, with leading indicators and retail sales outperforming economists' forecasts in March, whilst initial jobless claims rose ahead of expectations to 386,000, along with a disappointing print from the Philadelphia Fed business outlook survey.

In Europe, news flow continued to focus on Spain, before switching to developments in the Netherlands and France over the weekend. Spanish 10 year yields closed above 6% for the first time this year on Monday, having risen by over 120 basis points from their most recent low at the start of February. Spain successfully sold EUR 2.54 billion of two and 10 year bonds on Thursday, compared to a maximum target lot of EUR 2.5 billion. The average yield on government 10 year bonds at auction, however, rose to 5.7% compared to 5.4% in January. Official unemployment in Spain stands at 23%, its highest level in more than 30 years. Given the resultant pressure on household incomes, it was perhaps unsurprising to see the Bank of Spain duly announce a rise in non-performing loans during February, up to 8.2% from 7.9% the previous month and the highest level since 1994. Spanish Prime Minister Mariano Rajoy has warned the 17 local governments in Spain that he will seize budgetary control from next month if they do not rein in their spending. Spain's IBEX index ended the week just above its March 2009 lows, following sustained selling pressure in three out of the five sessions.

The second round of France's presidential elections will be fought between incumbent Nicolas Sarkozy and Socialist Francois Hollande, after the latter took the first round yesterday with 28.5% of the vote. President Sarkozy polled 27.1%, whilst Marine Le Pen's far right Front National party came third with a strong showing of 18.1%. Polls continue to suggest a Socialist victory in the second round on 6 May. The Netherlands' ruling coalition government collapsed on Saturday following the withdrawal of the

far right party over the issue of the European fiscal compact. Often politics is depicted as a race to occupy the centre ground, especially in times of plenty; the perceived capitulation of centrist politics, along with current austerity measures, may instead push European voters towards the fringes.

Chinese real GDP grew by 8.1% year-on-year in the first quarter of 2012, down from 8.9% in December and behind consensus forecasts for growth of 8.4%. HSBC's flash manufacturing Purchasing Managers' index released over the weekend remained in contractionary territory for the sixth month in a row. Despite recent data disappointments, the rise in Chinese headline inflation to 3.6% year-on-year in March reduces the prospects for monetary loosening by Beijing. Elsewhere, India cut benchmark interest rate by more than expected last week, down half a percentage point to 8%, in a bid to boost growth. The move marked the first cut in interest rates by India's central bank since 2009.

In company news, 75 out of the 87 companies reporting earnings in the US last week beat analysts' expectations, bringing the current beat:miss ratio as compiled by Bloomberg to 85%:14%. 177 S&P 500 companies will report this week.

Global government bonds were flat last week, whilst broad investment grade debt added a modest 0.1% in US dollar terms. Talks between Iran and six leading countries over the weekend of the 14th of April were described as constructive by EU diplomatic chief Baroness Ashton. The news may prompt a fall in the risk premium embedded in current oil prices, with Brent crude for delivery in June declining by 2.0% last week. Developments in Argentina were less positive for the global oil supply, as the government announced plans to seize control of YPF, the country's largest oil group, from Spanish company Repsol. The move is likely to discourage foreign capital from investing in Latin America's second largest economy, and may cast a pall over much of the region, an area where populist/socialist politics is common. Gold declined by 1.5% last week. Indian demand for gold is under pressure from the weak rupee, along with the rise in import duties to 4%.

Source: Momentum Global Investment Management / Bloomberg, April 2012.

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## Returns to 20 April 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 20 April 2012	Month to date	YTD 2012
<b>Equities</b>					
United States	S&P 500 NR	USD	0.6%	-2.1%	10.1%
United Kingdom	FTSE All Share TR	GBP	2.0%	0.1%	6.2%
Continental Europe	MSCI Europe ex UK NR	EUR	1.4%	-3.7%	5.5%
Japan	Topix TR	JPY	-0.4%	-5.0%	12.7%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	0.9%	0.7%	12.1%
Global	MSCI World NR	USD	1.1%	-2.2%	9.1%
<b>Emerging Market Equities</b>					
Emerging Europe	MSCI EM Europe NR	USD	-0.1%	-2.6%	16.3%
Emerging Asia	MSCI EM Asia NR	USD	-1.0%	-0.9%	12.2%
Emerging Latin America	MSCI EM Latin America NR	USD	-0.4%	-3.6%	10.5%
BRICs	MSCI BRIC NR	USD	0.0%	-1.0%	12.6%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-0.4%	-1.7%	12.2%
<b>Bonds</b>					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.1%	1.3%	-0.1%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	0.2%	1.7%	2.5%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.1%	1.0%	3.1%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.4%	0.2%	5.5%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-1.1%	0.2%	-1.8%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-1.1%	-0.7%	2.1%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-0.3%	-1.0%	2.4%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.2%	-0.4%	5.3%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-0.1%	-1.5%	11.0%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.0%	0.3%	0.6%
Australian Government	JP Morgan Australia GBI TR	AUD	0.1%	1.3%	0.8%
Global Government Bonds	JP Morgan Global GBI	USD	0.0%	0.4%	-0.5%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.1%	0.2%	1.1%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.3%	-1.3%	7.2%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.7%	1.2%	5.3%

Source: Momentum Global Investment Management / Lipper Hindsight. April 2012.

## Returns to 20 April 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 20 April 2012	Month to date	YTD 2012
<b>Property</b>					
US Property Securities	MSCI US REIT NR	USD	3.0%	0.6%	11.1%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	1.6%	0.3%	10.9%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	0.8%	-2.7%	6.5%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	1.2%	3.4%	11.0%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	0.5%	0.9%	17.5%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	2.0%	0.4%	13.4%
<b>Currencies</b>					
Euro		USD	1.0%	-0.8%	1.7%
UK Pound Sterling		USD	1.5%	0.9%	3.7%
Japanese Yen		USD	-0.8%	0.8%	-5.7%
Australian Dollar		USD	0.0%	0.1%	1.2%
South African Rand		USD	1.8%	-1.6%	3.5%
Swiss Franc		USD	1.0%	-0.6%	2.8%
Chinese Yuan		USD	-0.1%	-0.2%	-0.2%
<b>Commodities</b>					
Commodities	RICI TR	USD	-0.5%	-2.2%	2.9%
Agricultural Commodities	RICI Agriculture TR	USD	-0.6%	-3.1%	-1.2%
Oil	ICE Crude Oil CR	USD	-1.6%	-4.0%	10.3%
Gold	Gold Index	USD	-1.5%	-1.3%	7.2%
Hedge Funds	HFRX Global Hedge Fund	USD	0.1%	-0.3%	2.8%

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